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IN THE MATTER OF THE
APPLICATION OF TUCSON ELECTRIC
POWER COMPANY FOR APPROVAL
OF ITS 2012 RENEWABLE ENERGY
STANDARD IMPLEMENTATION PLAN
AND DISTRIBUTED ENERGY
ADMINISTRATIVE PLAN AND
REQUEST FOR RESET OF
RENEWABLE ENERGY ADJUSTOR.

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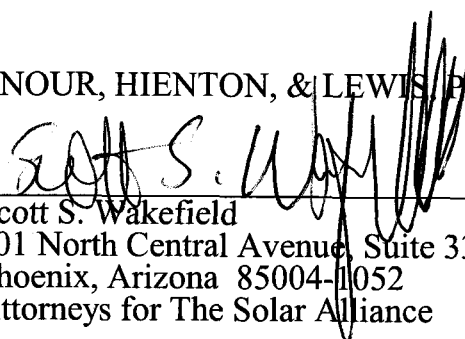
**THE SOLAR ALLIANCE'S
PRELIMINARY COMMENTS ON
TEP'S 2012 RES PLAN**

The Solar Alliance ("Solar Alliance"), by its counsel undersigned, hereby offers its preliminary comments on Tucson Electric Power Company's (TEP") 2012 Renewable Energy Standard Implementation Plan ("RES Plan" or "Plan") filed on July 1, 2011, attached hereto.

Dated this 11th day of August, 2011.

RIDENOUR, HIENTON, & LEWIS, P.L.L.C.

By


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1 ORIGINAL and 13 copies filed
this 11th day of August, 2011 with:

2 Docket Control
3 Arizona Corporation Commission
1200 W. Washington Street
4 Phoenix, AZ 85007

5 COPY of the foregoing HAND-
DELIVERED this 11th day of
6 August, 2011 to:

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1 **The Solar Alliance's Preliminary Comments on TEP 2012 REST Plan**

2 **Preface**

3 The Solar Alliance¹ hereby responds to the application of Tucson Electric Power
4 Company (TEP) for approval of its 2012 Renewable Energy Standard Implementation
5 plan and Distributed Energy Administrative (RES Plan) as docketed on July 1, 2011 .

6 The Solar Alliance comprises 34 of the largest photovoltaic (PV) manufacturers,
7 financiers, integrators and installers in the U.S., of whom five have opened offices in
8 Arizona in anticipation of the RES-driven solar market growth. The Solar Alliance has
9 participated in various dockets regarding implementation of the Commission's Renewable
10 Energy Standard (RES) Rules with the intent of ensuring that overarching policies as well
11 as implementation plans are crafted in a manner that spurs new development of solar
12 facilities, eradicates unnecessary barriers to facilities coming on line, and provides such
13 facilities with a rate for their power which truly reflects its underlying value to the utility
14 as well as the state. With those goals in mind, the Solar Alliance offers the following
15 preliminary comments on TEP' proposed RES Plan.

16 Overall, the RES Plan will enhance Arizona's energy supply diversity and energy
17 security through the continued deployment of clean energy. Although the annual budgets
18 may appear large, this up-front investment will reap the State many returns over the
19 coming decade in the form of hedging against rising energy costs by locking in fixed
20 energy costs for ratepayers; siting generation directly where it is needed to relieve stress
21 and losses on the power grid; reducing water use associated with energy generation;
22 reducing SOx, NOx, and other emissions; and attracting new investment and jobs to the
23 State.

24 The Solar Alliance applauds TEP for advancing a plan that aims to that exceed

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26 ¹ The comments contained in this filing represent the position of the Solar Alliance as an organization, but not

1 minimum compliance with the State's renewable procurement goals. The diverse
2 offering of solar incentive programs laid out in the RES Plan demonstrates TEP's
3 commitment to advancing all segments of the solar market in Arizona. Member
4 companies of the Solar Alliance look forward to partnering with the utility to ensure that
5 it over-complies as planned, that the solar programs offered are successful, and that solar
6 is quickly and cost-effectively deployed.

7 ***A. Reject proposed rebate differential between leased and purchased solar***
8 ***installations***

9 The Solar Alliance is concerned about a proposal within TEP's RES
10 implementation plan that would reduce incentives for leased residential solar installations
11 from \$2.00/watt to \$1.00/watt while at the same time reducing incentives for systems that
12 are purchased from \$2.00/watt to \$1.75/watt. Such a change to TEP's program would
13 serve to discriminate against customers who choose to lease PV systems rather than
14 purchase them. Regardless of who actually owns the system, leased systems cost the same
15 to install as systems that are purchased by homeowners outright. In addition, the benefit
16 of the incentive is realized by the homeowner regardless of whether they lease or buy a
17 solar facility. TEP gives no justification or explanation for this proposed change to their
18 incentive program. The Solar Alliance believes that there is no acceptable reason to
19 discriminate against customers who elect to lease a PV system from a third party.

20 By virtually eliminating the up-front cost required to adopt home solar, leases
21 make solar a viable choice for a significant share of TEP ratepayers who would not
22 otherwise consider investing in rooftop solar. In doing so, leases allow a greater share of
23 TEP's ratepayers the chance to benefit from the solar incentive program that their
24 ratepayer dollars fund. Providing customers who choose to lease a solar system an
25 incentive that is more than 40% less than what customers who buy solar facilities can

26 necessarily the views of any particular member with respect to any issue.

1 receive increases the customers' leasing costs and makes leasing a viable option to a
2 smaller segment of TEP's ratepayer population.

3 Requiring leased solar systems to claim a lower incentive than systems that are
4 purchased would be at odds with every other utility in the State. There is no precedent for
5 this action as all other utilities offer those who choose leased systems the same incentive
6 as homeowners who choose to purchase their system. In fact, the precedent has been
7 exactly the opposite. In Decision No. 72395, the Commission recently rejected Sulphur
8 Springs Valley Electric Cooperative, Inc.'s proposal to offer leased systems a lower
9 incentive than systems that are purchased.

10 Leased systems offer both homeowners and TEP more certainty for long-term
11 system performance than customer-owned systems. Leased systems are monitored and
12 maintained by the third party owner and leasing contracts often include free inverter
13 replacement and remote monitoring that ensures the systems constantly produce at their
14 highest capacity. In addition, while homeowners who purchase a system are under no
15 obligation to keep it on their roof for any specified length of time, homeowners who enter
16 into contracts with leasing entities agree to leave the systems on their homes for the
17 duration of that contract.

18 No explanation has been provided for this proposal which would provide
19 significantly lower incentives for customers who lease their residential PV system from a
20 third party, rather than purchasing the system. This provision unnecessarily threatens
21 affordable customer-sited distributed generation within TEP's service territory, and
22 should be rejected.

23 ***B. Clarify How Davis Monthan Has Affected Commercial Project
24 Applications***

25 Decision No. 72033 required that TEP notify the Commission whether the
26 inclusion of the 14.5 MW Davis-Monthan AFB project in TEP's commercial distributed
energy program has precluded any other non-residential renewable distributed energy

1 systems from receiving utility incentives because TEP had already reached compliance
2 with its non-residential renewable distributed energy requirements. (Decision No. 72033
3 at 19-20). TEP states that six commercial projects have been submitted but failed due to
4 "either too large or too expensive compared to other submitted projects" and moreover
5 that \$1 million remains to be awarded in 2011 through the distributed energy program.
6 The rejected projects would have result in capacity of 1.875 MW, required \$425,000 in
7 funding, and had an average effective REC price of \$0.095/kWh.

8 TEP expects to be in compliance with its non-residential renewable distributed
9 energy requirement by the end of 2011, and states that there are no projects that have been
10 denied specifically due to the Davis-Monthan AFB project. But, since the average REC
11 price of \$0.095/kWh is not much higher than the proposed 2012 REC price of
12 \$0.091/kWh, it is unclear why TEP characterizes the six rejected bids as too expensive.
13 Rather, the fact that TEP rejected these projects suggests that the Davis-Monthan project
14 has indeed precluded other projects, and TEP should make more money available to non-
15 residential distributed energy projects to overcomply in 2011 by an amount equal to the
16 Davis-Monthan project.

16 ***C. Clarify the Costs and Savings of the Bright Roofs Program***

17 TEP requests approval to expand its utility-owned generation with additional
18 installations on large commercial rooftops. Similar to concerns the Solar Alliance
19 expressed with Arizona Public Service's proposed 2012 RES plan, the Alliance believes
20 TEP's expansion of utility-owned assets contradicts the movements of other utilities who
21 are finding that they cannot compete on costs with the private sector.

22 ***D. Justify Certain Marketing, R&D, and Administrative Programs***

23 **1) High budget request:** TEP requests \$3,436,372 for "Other Costs" relating to
24 metering, IT, reporting & labor, and research and development. The request is nine
25 percent of the budget and simply too high, especially when considering that TEP is not
26

1 spending its existing ratepayer funded resources on keeping the AZ Goes Solar website
2 up to date. Some marketing budget is justified to maintain this website with accuracy;
3 however, the Commission should closely review TEP's metering, IT, research and
4 development, and other budget aspects.

5 **2) School and Other Vocational Training:** TEP requests up to \$750,000 to
6 provide and install system equipment on 10-14 schools and facilitate a vocational training
7 program. First, TEP variously refers to the cost as \$650,000 and \$750,000 in the plan,
8 which needs to be clarified. Second, the plan vaguely refers to "other training" without
9 clarification.

10 This entire proposal should be rejected. There is no direct relation to the
11 incentives and procurement program from school education. Because school training
12 appears to only enhance TEP's image, the program should be paid by shareholder funds.

13 **3) Miscellaneous Research & Development Funds:** TEP should justify its
14 request to allocate nearly \$1 million for research and testing. It is unclear how this
15 tangibly advances its compliance achievements in the incentives and procurement
16 program, what this offers as benefit to ratepayers and why the research and development
17 should be funded from these resources and not from TEP shareholder resources.
18 Moreover, TEP should provide improved reporting on what it has achieved from past
19 authorizations for renewable research and development.

20 To ensure effective deployment of ratepayer funds, whenever an investor-owned
21 utility seeks to use RES funding for studies and R&D, the Commission should require
22 appropriately scoped stakeholder review process. The Solar Alliance suggests an open
23 and collaborative stakeholder engagement process via a Technical Review Committee, to
24 include at least one representative from the Solar Alliance.

25 ///

1 **Conclusion**

2 The Solar Alliance thanks the Commissioners in advance for itsr help in requiring
3 TEP to provide needed clarity on several aspects of their plan. The Solar Alliance, along
4 with many other stakeholders, looks forward to participating in the Commission's Open
5 Meeting on August 17, 2011 to discuss TEP's RES Plan.

6 Respectfully Submitted on the 11th day of August, 2011.
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